

Shortly before or after the sale of the assets in Sittard, LPD Sittard bound itself as guarantor (joint and several co-debtor) to the Facility Agreement existing at the time when the various companies were declared bankrupt. The trustee has also observed that on or about 27 January 2006 LPD Sittard pledged all its (future) moveable property to the Security Agent.

### **3.2.15 LPD Korea Co, Ltd.**

The shares in LPD Korea Co, Ltd pledged to the Bank Syndicate were transferred on 21 April 2006 by LPD Investment to LPD Stadskanaal and LPD Sittard, both belonging to the Ongoing Group.

In order to prevent that the unsecured creditors of LPD Investment would be prejudiced by the “internal” reshuffling of the shares, it has been agreed that the value of the shares will be assessed by Daemyung Grant Thornton in Seoul and that the Bank Syndicate will reduce its claim on LPD Investment by this value.

The company has two factories in Gumi and Changwon with in total about 2,000 employees.

For the whole of 2006 sales of USD 840 million are expected and an EBITDA (excluding reorganisation costs) of USD 60 million. The cash flow over 2006 is expected to amount to about USD 40 million.

### **3.3 Residual Group**

As said above, the activities and companies that are not deemed viable in the short to medium term, or at any rate less viable, are jointly referred to as the “Residual Group”. The companies belonging to this group will be further described below.

#### **3.3.1 LPD Investment B.V.**

LPD Investment concerns an intermediate holding company which at present still only includes the companies which belong to the so-called Residual Group, being the companies which either have already been declared bankrupt (LPD Germany, LPD France, LPD USA) or which aim within the framework of by now instituted insolvency proceedings at a composition with creditors (LPD Czech and LPD Slovakia), or had to cease their activities but as of today have not yet been declared bankrupt (LPD Mexico), or continue to operate (Nanjing Feijing Magnetic Products, Henan Anfei Electronic Glass and LPD Poland) or are being liquidated (Barayo S.A. and Barayo Projectos S.A.).

Discussions are being held with the company Hua Fei Colour Display Systems Co. which belongs for 55% to the Ongoing Group about the sale and take-over of the unpledged shares in Nanjing Feijing Magnetic Products (80% participation of LPD Investment).

The shares in LPD Korea pledged to the Bank Syndicate were recently transferred to companies belonging to the Ongoing Group (LPD Sittard and LPD Stadskanaal). The transfer took place at a price still to be agreed upon, which price will subsequently be deducted by the Bank Syndicate from its claim on LPD Investment.

The shares of LPD Brasil pledged to the Bank Syndicate were transferred shortly before the bankruptcy to LPD International. The value of these shares too should still be determined. The Bank Syndicate will deduct the value from its claim on LPD Investment.

LPD Investment has a claim of about USD 23 million on LPD International which has not been pledged to the Bank Syndicate.

Apart from a creditor with a claim of USD 1,648.15, the Bank Syndicate is as yet the only creditor in the bankruptcy of LPD Investment.

The status of all companies belonging to LPD Investment will be separately clarified in the following. Since LPD Poland belongs to the Residual Group, this company will be discussed below, although LPD Holding is sole shareholder of LPD Poland.

The same applies by analogy for LPD Czech, albeit that the shares of this company are held by LPD Holding (96 %) and LPD Investment (4 %).

### **3.3.2 LPD Poland Sp.z.o.o.**

LPD Holding is sole shareholder of LPD Poland. The shares which LPD Holding holds in LPD Poland have not been pledged. But LPD Poland is guarantor (joint and several co-debtor) under the Facility Agreement. LPD Holding has an intercompany claim on LPD Poland amounting to about USD 5.6 million. This claim has been pledged to the Bank Syndicate.

LPD Poland employs about 220 employees. LPD Poland is a factory which manufactures the so-called “yoke rings” (a soft ferrite product), a small component of the picture tube. The yoke rings are exported to customers in Slovakia, Brazil and various customers in Asia.

For the time being LPD Poland expects to realise positive results in the coming years by means of the yoke ring production. However, since it is expected that the demand for yoke rings will gradually decrease in the coming years and therefore also the result, the management of LPD Poland intends to focus more and more on the manufacture of hard ferrite products that are suitable for the car industry. By converting the production from soft ferrite to hard ferrite products the management expects that employment and enterprise value will remain preserved or increase.

The trustee and JPMorgan as Security Agent have examined jointly with the management of LPD Poland whether a Management Buy-Out belonged to the possibilities. So far it has turned out that a Management Buy-Out is no option since no agreement about the price can be reached. At present other options are being explored in order to examine in which way the highest possible proceeds can be generated for the shares of LPD Poland and so for the estate of LPD Holding.

### **3.3.3 LPD Finance LLC (USA)**

LPD Finance LLC is a company incorporated under the laws of the State of Delaware (USA). All shares in LPD Finance LLC are held by LPD Holding.

LPD Finance was formed in 2002 with as sole object the issue of Floating Rate Notes to the value of € 200 million. It was for tax reasons that a company incorporated under the laws of the State of Delaware was chosen. The Floating Rate Notes are now also referred to as the ‘Mivar-notes’; Until shortly before the date of the bankruptcy of LPD Holding the Italian company Mivar was in fact the holder of all Floating Rate Notes. LPD Holding, for that matter, guarantees the repayment of the Mivar-notes.

LPD Finance has never engaged in any business activities. Neither has LPD Finance employed any employees by virtue of an employment contract.

The trustee investigates in which way and for which LPD company or companies the amount of € 200 million has been used. The trustee further considers the question whether and, if so, how LPD Finance may be liquidated.

### **3.3.4 LPD China Ltd. (Hong Kong)**

LPD Holding holds all shares in LPD China Ltd. (“LPD China”). In 2005 the then director took the decision to liquidate LPD China since LPD China did no longer carry out any business

activities. It is expected that after completion of the liquidation no money will be paid to LPD Holding as shareholder.

### **3.3.5 LPD Czech Republic s.r.o.**

LPD Holding holds 96% of the shares of LPD Czech while LPD Investment holds the remaining 4%. LPD Czech was formed on 12 September 2000. The completely newly built factory became operational early in 2002.

An investment of about USD 200 million was made for constructing the factory and making it operational.

When forming the joint venture Philips transferred the shares to the LPD Group. LPD Czech forms a symbiotic unity with LPD Slovakia in the sense that LPD Czech cannot exist without LPD Slovakia and the other way round.

The shares of LPD Czech have been provided as security. The claim of LPD Holding on LPD Czech to the amount of about USD 226 million (including interest until 30 April 2006), which is only due in 2019, has been pledged to the Security Agent. It further applies that, also because of the fact that LPD Czech is guarantor (joint and several debtor) under the Facility Agreement, LPD Czech has given the moveable property owned by LPD Czech as security to the Security Agent.

LPD Czech employs about 1,200 employees. The factory manufactures various types of picture tubes.

In the past months the trustee held consultations together with the Security Agent with the management board of LPD Czech and its advisors about the way in which (the debt burden of) LPD Czech could be rescheduled. These consultations eventually led to the result that the management board of LPD Czech has opted to request the competent Court, shortly stated, for a postponement of payment. In order to be eligible for this, LPD Czech has drawn up a

Composition plan, which plan was approved by the Court at the end of July 2006. Until 24 August the creditors have the opportunity to submit their claims on LPD Czech to the Court.

The Composition plan provides for a payment to unsecured creditors of 30% of the outstanding claims (compulsory under Czech law). The amount corresponding to the 30% of the outstanding claims should be paid from the proceeds of the security assets. Only after deduction of costs and after payment of 30% of the unsecured claims, the secured creditors, including the Security Agent, can recover their claims from the proceeds of the (im)movable property provided as security to them.

Finally, in the Composition plan it has been set out how LPD Czech will convert its business activities in two years time into other viable activities.

#### **3.3.6 LPD Slovakia s.r.o.**

LPD Investment holds all shares of LPD Slovakia; the management board of LPD Slovakia is formed by Mr. B. Howson and Mr. S. Moore. LPD Slovakia was formed on 16 April 2001 and is engaged in the manufacture of electron guns, a component of the picture tube. LPD Slovakia is an important supplier of LPD Czech. As said above, LPD Slovakia and LPD Czech form a symbiotic unity in the sense that LPD Slovakia cannot exist without LPD Czech and the other way round.

LPD Slovakia employs about 40 employees under employment contracts while LPD Slovakia has hired about 500 employees from a third party. LPD Slovakia owns all machines.

The shares in LPD Slovakia have not been provided as security. Neither does LPD Slovakia act as guarantor or did it provide security to the Security Agent. The claim of LPD Holding on LPD Slovakia amounting to more than € 23 million, which is only due in 2019, has been pledged to the Security Agent.

After LPD Holding and other companies were declared bankrupt, LPD Slovakia requested the competent Court for insolvency protection, which the Court has granted while appointing at the same time an administrator.

Subsequently it was investigated whether and how LPD Slovakia could reschedule its debts by offering a composition. This investigation eventually led to the result that the management board of LPD Slovakia submitted a Restructuring Plan to the Court.

In outline the Restructuring Plan implies that LPD Slovakia will attempt to convert its current business activities in a period of two years into other, in the long run more viable activities. Furthermore, in the coming two years LPD Slovakia will generate as much liquidities as possible in order to pay its creditors as best as possible. The administrator of LPD Slovakia considers the loan from LPD Holding amounting to more than € 23 million as subordinated.

By the middle of July 2006 the creditors' committee of LPD Slovakia gave a positive advice on the Restructuring Plan. On 10 August 2006 the creditors' meeting unanimously adopted the Restructuring Plan. It is expected that on 31 August 2006 the Court will approve the Restructuring Plan.

### **3.3.7 LPD Barcelona I BV, LPD Barcelona II BV, Barayo S.A. and Barayo Projectos S.A.**

Until mid 2002 the Barayo companies were part of the LPD Group and engaged in the manufacture of picture tubes. The most valuable assets owned by the Barayo companies were a factory and (building) land.

In 2002 the majority of the shares in the Barayo companies held by LPD Group were sold to Business Creation Industries B.V. The intention of Business Creation Industries B.V. was to develop other business activities than CRT production in the Barayo companies.

After the sale of the shares of the Barayo companies to Business Creation Industries B.V., it turned out that Business Creation Industries B.V. could not realise its expansion plans, at any rate for a (large) part.

As part of the overall restructuring of LPD Group in 2004, the Bank Syndicate has given permission to LPD Group to repurchase the shares from Business Creation Industries B.V.

The underlying idea here was to protect LPD Group against unfounded dismissal costs which might be charged to the LPD Group if Business Creation Industries B.V. were to liquidate the Barayo companies. The fact was that according to the advice obtained at the time by LPD Group this could not be excluded.

After the LPD Group had repurchased the shares from the Barayo companies in October 2004 via the private limited companies LPD Barcelona I and LPD Barcelona II formed for this purpose by LPD Investment, the relevant Spanish authorities considered to change the designated use of the (building) lands(s) owned by the Barayo companies from industrial into residential building. This would substantially increase the value of the (building) land(s). With the increased value the dismissal costs of the employees of the Barayo companies could then also be paid.

Early in September 2004, Barayo sold the factory and (building) land(s) on the basis of this expected change of the zoning plan to a project developer. The transfer took place in April 2005. Part of the purchase price was directly paid while the remaining part will be paid in instalments, depending also on the fulfilment of a number of conditions. The trustee has understood that the directly paid amount is used for paying the dismissal costs of the personnel of the Barayo companies. The project developer must at present apparently still pay an amount of about € 20 million.

As further security for the repayment of the claim which LPD Holding had on the Barayo companies, the Barayo companies created in June 2005 a right of pledge for the benefit of LPD Holding on the claim which they have on the project developer, at any rate they have assigned the claim on the project developer to LPD Holding. Subsequently, also in June 2005 LPD Holding



gave its claim on the project developer as security to the Security Agent. The trustee is investigating this latter transaction.

### **3.3.8 LPD USA Inc.**

LPD USA has first applied for postponement of payment (Chapter 11). Subsequently the company has petitioned for its liquidation (Chapter 7). Via this company the sales of in particular LPD Mexico in the USA were invoiced.

All purchases of LPD Mexico also ran via this company. The company owns the stocks and the machines and production lines in the by now closed down factory of LPD Mexico in Gomez Palacio (Mexico). The American trustee is charged with the further liquidation.

### **3.3.9 LPD Mexico Holding Services S.A. de C.V. and LPD Mexico S.A. de C.V.**

Until recently the Mexican companies exploited a factory for picture tubes in Gomez Palacio with in total about 1,300 employees. It concerns a relatively new factory.

Because of serious liquidity problems it was decided at the end of May 2006 to cease all activities. As a consequence almost all employees were dismissed.

The liquidity problems arose partly because LPD USA, which company takes care of sales and invoicing as well as purchases by LPD Mexico and which is the owner of the production lines in the factory in Mexico, asked first for postponement of payment (Chapter 11) and subsequently petitioned for its own liquidation (Chapter 7).

JPMorgan as Security Agent is now taking measures to sell the factory and the production lines.

### **3.3.10 Nanjing Feijing Magnetic Products Co., Ltd.**

Nanjing Feijing Magnetic Products Co, Ltd (“LPD Nanjing Feijing”) was formed in 1995 and is a company incorporated under Chinese law.

LPD Hua Fei holds 20% of the shares in LPD Nanjing Feijing and LPD Investment 80%. In the course of the years a total amount of about USD 15 million has been invested in LPD Nanjing Feijing. LPD Nanjing Feijing has concluded an overdraft facility of USD 1.5 million with a local bank.

Just like LPD Poland, LPD Nanjing Feijing manufactures so-called yoke rings. LPD Nanjing Feijing employs about 250 employees of whom 60% have been hired by LPD Nanjing Feijing via a third party. The results for the years 2004 and 2005 were positive.

The shares held by LPD Investment in LPD Nanjing Feijing have not been pledged, nor is LPD Nanjing Feijing guarantor (joint and several co-debtor) under the Facility Agreement. The trustee of LPD Investment is currently negotiating about the sale of the shares of LPD Nanjing Feijing.

### **3.3.11 Henan Anfei Electronic Glass Co., Ltd.**

Henan Anfei Electronic Glass (“LPD Henan Anfei”) is a joint venture. LPD Investment holds 14% of the shares while LPD Hua Fei holds 20% and Henan Anyang CPT Glass Bulp Group 60% of the shares. Among other things, this factory manufactures the glass picture screens. LPD Henan Anfei employs 350 employees. According to the recently provided data LPD Henan Anfei has booked a negative result of about USD 1 million over the first six months of 2006.